

Shreveport Home Mortgage Authority

A Component Unit of the City of Shreveport
Accountants' Reports and Financial Statements
December 31, 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/10/10

BKD^{LLP}
CPAs & Advisors

Shreveport Home Mortgage Authority
A Component Unit of the City of Shreveport
December 31, 2008

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Independent Accountants' Report

Board of Directors
Shreveport Home Mortgage Authority
Shreveport, Louisiana

We have audited the accompanying basic financial statements of the Shreveport Home Mortgage Authority (the Authority), a component unit of the City of Shreveport, Louisiana, as of and for the year ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Shreveport Home Mortgage Authority as of December 31, 2008, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2009, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

November 13, 2009

Shreveport Home Mortgage Authority
A Component Unit of the City of Shreveport
Management's Discussion and Analysis
December 31, 2008

Introduction

This management's discussion and analysis of the financial performance of Shreveport Home Mortgage Authority (the Authority) provides an overview of the Authority's financial activities for the year ended December 31, 2008. It should be read in conjunction with the accompanying financial statements of the Authority.

Financial Highlights

The Authority's total net assets increased \$169,992 or 5.1%. Over the course of this year's operations, current year operating revenues and receipt of principal payments on outstanding mortgage-backed securities and the note receivable were used to pay the debt service on the outstanding bonds.

Operating expenses decreased in 2008 by approximately \$330,000 due to no mortgages being forgiven in 2008, while approximately \$200,000 in mortgages was forgiven in 2007. Additionally, bond interest expense decreased by approximately \$160,000 as the outstanding bonds payable principal continues to decrease.

Using This Annual Report

The Authority's financial statements consist of three statements—a statement of net assets; a statement of revenues, expenses and changes in net assets; and a statement of cash flows. These statements provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes.

The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better or worse off as a result of the year's activities?" The statement of net assets and the statement of revenues, expenses and changes in net assets report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net assets and changes in them. The Authority's total net assets—the difference between assets and liabilities—is one measure of the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net assets are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as local economic factors should also be considered to assess the overall financial health of the Authority.

Shreveport Home Mortgage Authority
A Component Unit of the City of Shreveport
Management's Discussion and Analysis
December 31, 2008

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The Authority's Net Assets

The Authority's net assets are the difference between its assets and liabilities reported in the statement of net assets, as shown in *Table 1*.

Table 1: Assets, Liabilities and Net Assets

	2008	2007
Assets		
Current assets	\$ 2,056,315	\$ 1,930,852
Noncurrent assets	<u>11,572,836</u>	<u>12,841,485</u>
Total assets	<u><u>\$ 13,629,151</u></u>	<u><u>\$ 14,772,337</u></u>
Liabilities		
Current liabilities	\$ 239,835	\$ 754,999
Long-term liabilities	<u>9,898,953</u>	<u>10,696,967</u>
Total liabilities	<u><u>10,138,788</u></u>	<u><u>11,451,966</u></u>
Net Assets		
Restricted	985,680	2,000,109
Unrestricted	<u>2,504,683</u>	<u>1,320,262</u>
Total net assets	<u><u>3,490,363</u></u>	<u><u>3,320,371</u></u>
Total liabilities and net assets	<u><u>\$ 13,629,151</u></u>	<u><u>\$ 14,772,337</u></u>

The total assets of the Authority decreased by \$1,143,186 in the current year. This corresponds to the current year decrease in total liabilities of \$1,313,178. As the mortgage-backed securities are collected, payments are made on the outstanding debt. The decrease in current liabilities is attributable to the 1988 bond fund payable being paid in full during the fiscal year ending December 31, 2008, in the amount of \$506,643, which was classified as a current liability for year ended December 31, 2007.

Shreveport Home Mortgage Authority
A Component Unit of the City of Shreveport
Management's Discussion and Analysis
December 31, 2008

The Authority's net assets were \$3,490,363 at December 31, 2008. Of this amount, \$2,504,683 was unrestricted and represents funds owned by the Authority and not associated with an individual bond issue. Restricted net assets are reported separately to show those amounts restricted by, and the use thereof governed by, the Trust Indenture for each bond issue.

Operating Results and Changes in the Authority's Net Assets

In 2008, the Authority's net assets increased by \$169,992 or 5.1%, as shown in *Table 2*. This increase is due to a decrease in bond interest expense of \$160,543 and a decrease in other operating expenses of \$170,825.

Table 2: Operating Results and Changes in Net Assets

	2008	2007
Operating Revenues		
Interest on mortgage-backed securities and note receivable	<u>\$ 651,093</u>	<u>\$ 712,954</u>
Total operating revenues	<u>651,093</u>	<u>712,954</u>
Operating Expenses		
Interest on bonds	422,670	583,213
Other operating expenses	<u>90,401</u>	<u>261,226</u>
Total operating expenses	<u>513,071</u>	<u>844,439</u>
Operating Income (Loss)	138,022	(131,485)
Non-operating Revenues	<u>31,970</u>	<u>95,225</u>
Increase (Decrease) in Net Assets	<u><u>\$ 169,992</u></u>	<u><u>\$ (36,260)</u></u>

Debt Administration

During the year ended December 31, 2008, the Authority made payments of \$1,299,657 on its outstanding bonds payable. The 1988 bonds were paid in full during the year. In addition, no new debt was issued in 2008.

Shreveport Home Mortgage Authority
A Component Unit of the City of Shreveport
Management's Discussion and Analysis
December 31, 2008

The bonds in the 1995 Issue (Single Family – Refunding) are collateralized by and payable from the income, revenues and receipts derived by the Authority from the mortgage-backed securities, and the funds and accounts held under or pledged to the Authority pursuant to the Trust Indentures. These bonds have maintained a Moodys AAA rating. The 2003 Issue is a limited obligation of the Authority, payable solely from the pledged investments and the interest thereon. The Series 2003A Issue was redeemed through a Series 2003B Issue in 2007. These bonds have maintained a Standard and Poor's Aaa rating. The bonds in the 2004 Issue (Multi-Family – Refunding) are secured by the loan and by certain other resources and assets constituting the trust estate under the indenture. A credit enhancer is also contained in the Trust Indenture for the 2004 Multi-Family Issue that guarantees that no loss will be incurred on the sale of the property should a default occur on the debt being serviced by the investor. These bonds have maintained a Standard and Poor's Aaa rating.

For additional information on debt, see *Note 4* on page 15.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. James A. Burnett, 1400 Youree Drive, Shreveport, Louisiana 71101-4197.

Shreveport Home Mortgage Authority
A Component Unit of the City of Shreveport
Statement of Net Assets
December 31, 2008

Assets

Current Assets

Cash and cash equivalents	\$ 2,000,362
Accrued interest receivable	41,530
Other assets	<u>14,423</u>
Total current assets	<u>2,056,315</u>

Noncurrent Assets

Investments	7,117,102
Note receivable	4,080,000
Bond issuance costs	<u>375,734</u>
	<u>11,572,836</u>
Total assets	<u><u>\$ 13,629,151</u></u>

Liabilities and Net Assets

Current Liabilities

Current portion of bonds payable	\$ 160,000
Accounts payable	11,475
Accrued expenses	<u>68,360</u>
Total current liabilities	239,835

Bonds Payable

9,898,953

Total liabilities

10,138,788

Net Assets

Restricted for debt service	985,680
Unrestricted	<u>2,504,683</u>
Total net assets	<u>3,490,363</u>

Total liabilities and net assets

\$ 13,629,151

Shreveport Home Mortgage Authority
A Component Unit of the City of Shreveport
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended December 31, 2008

Operating Revenues	
Interest on mortgage-backed securities and note receivable	<u>\$ 651,093</u>
Total operating revenues	<u>651,093</u>
Operating Expenses	
Interest on bonds	422,670
Amortization of issuance costs	36,520
Administrative expenses	<u>53,881</u>
Total operating expenses	<u>513,071</u>
Operating income	<u>138,022</u>
Nonoperating Revenues	
Investment income	<u>31,970</u>
Total nonoperating revenues	<u>31,970</u>
Increase in net assets	169,992
Net Assets, Beginning of Year	<u>3,320,371</u>
Net Assets, End of Year	<u><u>\$ 3,490,363</u></u>

Shreveport Home Mortgage Authority
A Component Unit of the City of Shreveport
Statement of Cash Flows
Year Ended December 31, 2008

Operating Activities

Interest payments received on mortgage-backed securities and note receivable	\$ 660,312
Principal payments received on mortgage-backed securities and note receivable	1,227,768
Interest paid	(481,202)
Principal payments on bonds	(1,299,657)
Cash paid for administrative expenses	(54,609)
Other	<u>36,520</u>

Net cash provided by operating activities	<u>89,132</u>
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Investing Activities

Interest and dividends on investments	41,189
Purchases of investments	(22,544)
Proceeds from maturities and sales of investments	<u>26,905</u>

Net cash provided by investing activities	<u>45,550</u>
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Net increase in cash and cash equivalents	<u>134,682</u>
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Cash and Cash Equivalents, Beginning of Year	<u>1,865,680</u>
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Cash and Cash Equivalents, End of Year	<u><u>\$ 2,000,362</u></u>
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Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income	\$ 138,022
Adjustments to reconcile operating income to net cash provided by operating activities	
Principal payments received on mortgage loans and note receivable	1,227,768
Principal payments on bonds	(1,299,657)
Amortization of bond issuance costs	19,006
Amortization of loan premium	17,514
Changes in operating assets and liabilities	
Accounts payable and accrued expenses	<u>(13,521)</u>

Net cash used in operating activities	<u><u>\$ 89,132</u></u>
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Shreveport Home Mortgage Authority
A Component Unit of the City of Shreveport
Notes to Financial Statements
December 31, 2008

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

The Shreveport Home Mortgage Authority (the Authority) is a tax exempt public trust, created pursuant to the Constitution and laws of the state of Louisiana, particularly Chapter 2-A of Title 9 of the Louisiana Revised Statutes of 1950, as amended, and the Trust Indenture, dated October 24, 1978, with the City of Shreveport, Louisiana, as beneficiary. The Authority can transfer excess cash to the City of Shreveport. Pursuant to the Trust Indenture, the Authority is authorized to undertake various programs (funded primarily by the issuance of debt) to assist in the financing of housing for persons of low to moderate income in the City of Shreveport. Upon providing financing, the Authority invests funds in mortgage-backed securities, such as FNMA and GNMA mortgage pools consisting of loans originated in Shreveport. The Authority is a component unit of the City of Shreveport.

The Authority began operations on September 14, 1979, and has since been involved in numerous bond issues (Issues) with the following issues still outstanding:

Date	Issue Name	Original Amount
December 7, 1995	Single Family Mortgage Revenue Refunding Bonds (1995 Issue)	\$ 9,450,000
August 26, 2003	Single Family Mortgage Revenue Bonds (Series 2003A Issue)	7,500,000
February 1, 2004	Multi-Family Housing Revenue Refunding Bonds (2004 Issue)	4,360,000

Bonds and other obligations issued under the provisions of the Trust Indenture are not a debt or liability of the state of Louisiana, the City of Shreveport or any political subdivision.

Basis of Presentation

The accounts of the Authority are organized by issue, each of which is considered a separate accounting entity. The operations of each issue are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenses. The following fund types are utilized by the Authority:

Mortgage Purchase Program Funds – These funds are used to account for the proceeds from mortgage revenue bonds, the debt service requirements of the bonds and the related mortgage-backed securities for housing in the City of Shreveport.

Operating Funds – These funds are the general operating funds of the Issues. All income and expenses not directly attributable to the Mortgage Purchase Program Funds are accounted for in these funds.

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Notes to Financial Statements
December 31, 2008

Bond Fund – In the 1995 Multi-Family Refunding Issue, the Bond Fund is used to account for the proceeds from the sale of the bonds, principal and interest payments on the note receivable and the debt service on the bonds.

Operating Account – The Operating Account represents funds owned by the Authority, not associated with an individual Issue. The primary source of these funds is the semi-annual issuer's fee paid by certain Issues to the Authority, transfers of excess funds in the 1988 Issue and interest on loans received in the refunding of the 1979 Issue and investment income. Payments from this account are made to cover expenses of the Authority not provided for under any of the various bond indentures.

Interest earned on the investments and mortgage-backed securities in the Mortgage Purchase Program Funds is initially accounted for in those funds. The interest is then transferred to the respective bond fund's operating account when collected. To the extent monies are not available from the principal payments received on the mortgage-backed securities, the respective bond fund's operating account transfer monies to the Mortgage Purchase Program Funds in amounts sufficient to pay all interest and principal on the outstanding bonds.

Basis of Accounting

The Authority uses the accrual method of accounting whereby expenses are recognized when the liability is incurred and revenues are recognized when earned. The Authority is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of the Authority are included on the statement of net assets. The operating statements present increases (revenues) and decreases (expenses) in net assets. The Authority applies all applicable Governmental Accounting Standards Board (GASB) pronouncements in accounting and reporting for its proprietary operations as well as the following pronouncements issued on or before November 30, 1989: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board opinions and Accounting Research Bulletins (unless those pronouncements conflict with or contradict GASB pronouncements).

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operations. The principal operating revenues of the Authority are interest charges on mortgage-backed securities and the note receivable. The Authority also recognizes as operating revenue annual fees (i.e., foreclosure fees, issuer fees) to recover costs associated with administering the mortgage-backed securities and note receivable and foreclosures. The principal operating expenses of the Authority are interest cost on outstanding bonds, related amortization of discount and issue cost and administration expenses.

Shreveport Home Mortgage Authority
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Notes to Financial Statements
December 31, 2008

Investment Securities

Investments are reported at fair value on the statement of assets. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Bond Issuance Costs and Bond Discounts

Costs related to issuing bonds are capitalized. Bonds are presented net of discounts related to the sale of bonds. Bond costs and discounts are amortized on the interest method over the term of the bonds.

Mortgage Loan Discount

Discounts on the 1988 mortgage-backed securities are amortized on the interest method over the terms of the loan.

Provisions for Loan Losses

Provisions for losses on loans and accrued interest are charged to earnings when it is determined that the investment in applicable assets is greater than their estimated net realizable value. At December 31, 2008, estimated losses on loans were not material.

Cash and Cash Equivalents

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2008, cash equivalents consisted primarily of money market accounts with brokers.

Investments and Investment Income

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in nonnegotiable certificates of deposit are carried at amortized cost. All other investments, including mortgage-backed securities, are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

Shreveport Home Mortgage Authority
A Component Unit of the City of Shreveport
Notes to Financial Statements
December 31, 2008

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Assets

Net assets of the Authority are classified in two components. Net assets restricted for debt service consist of funds which are reserved for outstanding bond payable balances. Unrestricted net assets are remaining assets that do not meet the definition of restricted for debt service.

Note 2: Note Receivable

The note receivable is a \$4,080,000 note in the 2004 Multi-Family Refunding Issue due from an investor and maturing September 1, 2025. The note receivable bears interest at a fixed rate of 6.4%. The note is collateralized by land, buildings and fixtures of the investor. Security for the bonds is the note receivable. No provision has been made to record an allowance for doubtful accounts.

Note 3: Deposits, Investments and Investment Income

Deposits

At December 31, 2008, the Authority has no deposits since all funds are maintained at trust departments at financial institutions.

Investments

State statutes authorize the Authority to invest in direct obligations of the United States Treasury, United States government agency obligations and Louisiana Asset Management Pool (LAMP), a local government investment pool. LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the state of Louisiana.

Shreveport Home Mortgage Authority
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Notes to Financial Statements
December 31, 2008

The Authority's investment balance at December 31, 2008, consisted of the following:

Type	Maturities in Years				
	Fair Value	Less than 1	1-5	6-10	More than 10
FNMA pass-through mortgage certificates	\$ 498,520	\$ 4,985	\$ 62,315	\$ 124,630	\$ 306,590
GNMA pass-through mortgage certificates	5,943,142	59,431	742,893	1,485,786	3,655,032
Private issue mortgage certificates	398,898	3,989	49,862	99,725	245,322
Money market mutual funds	2,276,904	2,276,904	-	-	-
	<u>\$ 9,117,464</u>	<u>\$ 2,345,309</u>	<u>\$ 855,070</u>	<u>\$1,710,141</u>	<u>\$4,206,944</u>

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits at least 65% of its investment portfolio to maturities of less than one year and a maximum of 35% to maturities of one to more than 10 years (excluding mortgage certificates). The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. All mortgage-backed securities are guaranteed by FNMA, GNMA, or FHA or VA. The Authority's investment policy requires all securities to be investment grade obligations, but does not address specific credit quality ratings.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Authority's investments are not subject to custodial credit risk.

Concentration of Credit Risk – The Authority does not limit the amount that may be invested in any one issuer. At December 31, 2008, the Authority's investment in GNMA certificates of \$5,943,142 constituted 65% of its total investments.

Applicable state statutes do not address credit quality ratings, concentration of credit risk by issuer or investment maturity limitations.

Shreveport Home Mortgage Authority
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Notes to Financial Statements
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Summary of Carrying Values

The carrying values of investments shown above are included in the balance sheets as follows:

Carrying value Investments	<u>\$ 9,117,464</u>
Included in the following statement of net assets captions	
Cash and cash equivalents	\$ 2,000,362
Noncurrent assets	
Investments	<u>7,117,102</u>
	<u>\$ 9,117,464</u>

Investment Income

Investment income for the year ended December 31, 2008, consisted of:

Interest and dividend income	<u>\$ 31,970</u>
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Note 4: Bonds Payable

Bonds payable at December 31, 2008, consists of:

2004 Issue (Multi-Family - Refunding) - Multi-Family Housing Revenue Refunding Bonds, 2004 dated February 1, 2004 - \$4,360,000 at an interest rate of 6.5%	\$ 4,100,000
2003 Issue (Single Family) - Single Family Mortgage Revenue Bonds, 2003A and 2003B dated August 1, 2003 - \$7,500,000 Revenue Refunding Bonds at interest rates of 4.57% to 5.37% due April 1, 2037	4,838,953
1995 Issue (Single Family - Refunding) - Single Family Mortgage Revenue Refunding Bonds, 1995A dated December 1, 1995 - \$545,000; \$5,450,000 Term Bonds due August 2028 at an interest rate of 6.0%	<u>1,120,000</u>
	10,058,953
Less current maturities	<u>160,000</u>
	<u>\$ 9,898,953</u>

Shreveport Home Mortgage Authority
A Component Unit of the City of Shreveport
Notes to Financial Statements
December 31, 2008

The debt service requirements as of December 31, 2008, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2009	\$ 816,000	\$ 160,000	\$ 656,000
2010	822,000	175,000	647,000
2011	829,000	190,000	639,000
2012	822,000	195,000	627,000
2013	820,000	205,000	615,000
2014-2018	4,008,000	1,583,000	2,425,000
2019-2023	4,174,000	2,167,000	2,007,000
2024-2028	4,701,000	2,751,000	1,950,000
2029-2033	3,017,953	2,307,953	710,000
2034-2037	<u>369,000</u>	<u>325,000</u>	<u>44,000</u>
	<u>\$ 20,378,953</u>	<u>\$ 10,058,953</u>	<u>\$ 10,320,000</u>

The 2003A Issue (Single Family) may be redeemed in whole or in part at a redemption price equal to 100% of the principal amount plus accrued interest. Certain mandatory redemption provisions are described in the Bond Indentures, which require redemption at a price equal to the principal and accrued interest to the redemption date. The 2003A Issue was required to be redeemed in whole through the issuance of a Series 2003B Issue by February 1, 2007. During 2004, \$3.9 million of the Series 2003A Issue was redeemed through the Series 2003B Issue. During 2005, \$3.2 million was redeemed through the Series 2003B Issue. The remaining \$375,251 was redeemed in 2007.

The 1995 Issue (Single Family – Refunding) may be redeemed, in whole or part, at par, after March 1, 2006. Certain mandatory redemption provisions are described in the Bond Indentures, which require redemption at a price equal to the principal and accrued interest to the redemption date.

The bonds in the 1995 Issue (Single Family – Refunding) are collateralized by and payable from the income, revenues and receipts derived by the Authority from the mortgage-backed securities and the funds and accounts held under or pledged to the Authority pursuant to the Trust Indentures. The bonds in the 2004 Issue (Multi-Family – Refunding) are collateralized by the revenues and other amounts derived by the Authority from the note receivable and the funds and accounts established under the Trust Indenture. A credit enhancer is also contained in the Trust Indenture that guarantees that no loss will be incurred on the sale of the property should a default occur on the debt being serviced by the investor.

There are a number of limitations and restrictions contained in the various bond indentures. The Authority is in compliance with all significant limitations and restrictions.

Shreveport Home Mortgage Authority
A Component Unit of the City of Shreveport
Notes to Financial Statements
December 31, 2008

On February 1, 2004, the Authority issued \$4,360,000 in bonds, the 2004 Multi-Family Housing Revenue Refunding Bonds, to advance refund the \$4,360,000 1995 Multi-Family Issue. Bond costs of \$130,569 were paid by the Authority. The 1995 Multi-Family Issue bonds are considered defeased and have been removed from the Authority's financial statements.

At December 31, 2008, the principal outstanding on the refunded bonds was \$4,360,000.

On March 14, 1995, the Authority issued \$4,435,000 in bonds and the 1995 Issue (Multi-Family – Refunding) to advance refund the \$4,360,000 1983B Issue, bearing interest at 6.4%, and to pay part of the issuance costs of the new bonds. The 1983B Issue bonds are considered defeased and have been removed from the Authority's financial statements. At December 31, 2008, the principal outstanding on the refunded bonds was \$4,360,000.

The 1979 Issue bonds are considered defeased and have been removed from the Authority's financial statements. At December 31, 2008, \$13,775,000 of bonds in the 1979 Issue were still outstanding.

Note 5: Restricted Assets

A substantial portion of the amounts reflected in the statement of net assets represent assets in such accounts or funds designated under the Trust Indenture for each Issue to be invested and/or held for subsequent disbursement in such manner and at such time as specifically defined in the respective Trust Indenture.

All of the assets of the Mortgage Purchase Program Funds are restricted by, and the use thereof is governed by, the Trust Indentures.

Note 6: Risks and Uncertainties

Current Economic Conditions

The current economic environment could ultimately present governmental entities with unprecedented circumstances and challenges, including declines in the fair value of investments and other assets, declines in governmental support, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Authority.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values that could negatively impact the Authority's ability to maintain sufficient liquidity.

**Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in Accordance with
*Government Auditing Standards***

The Board of Trustees
Shreveport Home Mortgage Authority
Shreveport, Louisiana

We have audited the financial statements of Shreveport Home Mortgage Authority, as of and for the year ended December 31, 2008, and have issued our report thereon dated November 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 08-01.

We noted certain matters that we reported to the Authority's management in a separate letter dated November 13, 2009. The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the governing body, management, others within the Authority and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

November 13, 2009

Shreveport Home Mortgage Authority
A Component Unit of the City of Shreveport
Schedule of Findings and Responses
Year Ended December 31, 2008

Findings Required to be Reported by *Governmental Auditing Standards*

Reference Number	Summary of Finding
08-01	<p>Criteria or Specific Requirement The annual audited financial statements of the Authority are required to be completed and submitted to the Louisiana Legislative Auditor <i>within six months of the Authority's year-end or June 30, 2009.</i></p> <p>Condition Found The audited financial statements were not completed by June 30, 2009.</p> <p>Effect Noncompliance with state law regarding financial reporting</p> <p>Cause Complete information was not available in a timely manner to allow the preparation and audit of the financial statements within the time period required.</p> <p>Recommendation We recommend the Authority take the appropriate steps to ensure all financial information is prepared timely to allow the Authority to meet the legal deadline for financial reporting.</p> <p>Management's Response Management concurs with the finding and recommendation. Management will request information needed from outside sources well in advance of year-end and provide them with target dates for completion.</p>

**Shreveport Home Mortgage Authority
Status of Prior Year Findings
Year Ended December 31, 2008**

Item: 07-01

- (A) Name of Contact Responsible – James Burnett
- (B) Corrective Action Planned – Plan to begin audit of December 31, 2008 financial statements as soon as possible
- (C) Anticipated Completion Date – Effective for December 31, 2009 audit
- (D) 2008 audit will be completed by November 15, 2009